GASB CODIFICATION · FINANCIAL REPORTING

Section 2300

Notes to Financial Statements

GARS 2300

The notes carry the detail the face of the statements can't — from accounting policy to capital assets to a long list of situational disclosures. This section maps what's essential versus what depends on judgment. Plain-language reference only; not a substitute for the authoritative text.

¶.101 – .104

Two Kinds of Disclosure

Notes vs. narrative explanations.
Notes are essential to fair presentation of the basic statements; narrative explanations instead help readers understand RSI and the combining, individual fund, and component unit statements.

Primary government first.
Notes focus on the primary government's governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate, with discretely presented component unit disclosure handled separately.

¶.106A

Summary of Significant Accounting Policies

A dozen required policy disclosures.
Among them: the government-wide statements' scope, the component units and their relationships, the funds presented, measurement focus and basis of accounting, revenue recognition (including the definition of "available"), internal activity elimination, inventory valuation, capitalization and depreciation policy, program-revenue classification, the cash-equivalents definition, restricted-vs-unrestricted spending order, and fund balance classification policy.

¶.106 B – Q

Essential Notes Beyond Policy

The recurring heavy hitters.
Cash deposits and investments, significant contingent liabilities, subsequent events, pension and OPEB liabilities, legal/contractual violations, debt (including service requirements to maturity), leases, construction and other commitments, capital assets, long-term liabilities, and interfund balances and transfers.

Component-unit specific.
For each major component unit, the nature and amount of significant transactions with other component units or the primary government.

¶.105, .107 – .108

Judgment Governs Depth

The list isn't a ceiling.
Dozens of additional, situation-specific disclosures apply only as applicable — property taxes, segment information, derivatives, tax abatements, going concern, and more.

The real test is whether omission would mislead.
Notes shouldn't be cluttered with immaterial detail; disclosure exists to prevent the financial statements from being misleading, not to maximize word count.

Component unit disclosure is decided unit by unit.
Except for a few required items (pensions, OPEB, accounting-change effects), which discretely presented component unit disclosures are essential is a matter of professional judgment based on each unit's relationship to the primary government.